

Government that Works!

New Jersey Department of the Treasury

LOCAL GOVERNMENT BUDGET REVIEW

HILLSIDE TOWNSHIP SCHOOLS

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GOVERNMENT THAT WORKS

OPPORTUNITIES FOR CHANGE

The Report of the Hillside Township Schools

New Jerseyans deserve the best government their tax dollars can provide. Governor Whitman is committed to making state Government leaner, smarter and more responsive by bringing a common sense approach to the way government does business. It means taxpayers should get a dollar's worth of service for every dollar they send to government, whether it goes to Trenton, their local town hall or school board. Government on all levels must stop thinking that money is the solution to their problems and start examining how they spend the money they now have. It is time for government to do something different.

Of major concern is the rising cost of local government. There is no doubt that local government costs and the property taxes that pay for them have been rising steadily over the past decade. Prior to Governor Whitman taking office in 1994, the State had never worked as closely with towns to examine what is behind those costs. That is why she created the Local Government Budget Review (LGBR) program. Its mission is simple: to help local governments and school boards find savings and efficiencies without compromising the delivery of services to the public.

The LGBR utilizes an innovative approach combining the expertise of professionals, primarily from the Departments of Treasury, Community Affairs and Education, with team leaders who are experienced local government managers. In effect, it gives local governments a comprehensive management review and consulting service by the State at no cost to them. To find those "cost drivers" in local government, teams review all aspects of local government operations, looking for ways to improve efficiency and reduce costs.

In addition, teams will document those state regulations and mandates which place burdens on local governments without value added benefits and suggest, on behalf of local officials, which ones should be modified or eliminated. Teams also look for "best practices" and innovative ideas that deserve recognition and that other communities may want to emulate.

Based upon the dramatic success of the program and the number of requests for review services, in July, 1997, Governor Whitman ordered the expansion of the program, tripling its number of teams in an effort to reach more communities and school districts. The ultimate goal is to provide assistance to local government that results in meaningful property tax relief to the citizens of New Jersey.

THE REVIEW PROCESS

In order for a community or school district to participate in the Local Government Budget Review (LGBR) program, a majority of the elected officials must request a review by LGBR through a public resolution. The practical reason for this is that the participating governing body must agree to make all personnel and records available to the review team, and to agree to an open public presentation of the review team's findings and recommendations.

As part of the review of the Hillside Public Schools, review team members interviewed board of education members, central and school building administrators, supervisors, teachers, district employees, the association president, parents, county educational personnel, municipal officials, vendors, and community members. Approximately 75 people were interviewed. The review team received full cooperation from the superintendent and district staff, elected officials, community members and all others interviewed. We are grateful to the people of Hillside and those who serve them for their assistance.

Many documents were reviewed including budgets, audit reports, annual financial statements (CAFR), collective bargaining agreements, assorted reports to state agencies, district monitoring reports, school report cards, payroll records, personnel records and files, vendor and account analyses, board policies, meeting agendas and minutes, long range plans and a variety of other documents. The review team visited all school sites and observed work procedures throughout the district. Board of education meetings and board committee meetings were attended. Other district meetings were also visited.

This report is based on data collected and site visits made during the period of September through November, 1997. Findings and recommendations come from the information as it existed at that time. LGBR acknowledges that some changes may occur between the time of its field work and time of presentation of this report.

Where possible, the potential fiscal impact of an issue or recommendation is provided in this report. The recommendations do not all have a direct or immediate impact on the budget or tax rate. These estimates have been developed in an effort to provide the district with an indication of the potential magnitude of each issue and the savings or cost to the community. We recognize that all of these recommendations cannot be accomplished immediately and some of the savings will occur only in the first year. Others may be ongoing savings. Several of the recommendations will require negotiation through the collective bargaining process. We believe our estimates of savings to be conservative and achievable.

In addition to the Findings and Recommendations section, this report contains sections entitled "Best Practices" and "Statutory and Regulatory Reform." Best Practices identifies areas in which the district does exceptionally well. Many of these Best Practices also have demonstrated cost savings that other communities may wish to do. Statutory and Regulatory Reform identifies areas where state laws and rules may cause inefficiencies. These roadblocks to good government should be reviewed for improvement or elimination.

Many municipalities in New Jersey, and throughout the United States, face a frustrating cycle of increased service demands and costs followed by opposition to increased taxes. The daily demands of delivering services often keep local officials from reviewing new techniques and budgetary efficiencies. Local Government Budget Review appreciates the willingness of the Hillside officials and employees to look for ways to improve service delivery while implementing efficiencies. Theirs is not an easy task. We hope that our report will aid in the ongoing process of making Hillside a fine place to live, work, and learn.

**LOCAL GOVERNMENT BUDGET REVIEW
EXECUTIVE SUMMARY
HILLSIDE TOWNSHIP SCHOOLS**

A. Health Care

Through cost sharing there is potential for less expensive cost of health insurance and a savings of \$119,894.

B. Technology Software/Consultants

Full use of the business office financial package could permit the district to eliminate the salary of a part-time programmer consultant. \$16,985

C. Transportation

Elimination of bus aides, with possible replacement by district security personnel, could lead to a \$52,700 savings.

By adjusting bus routes the district could save as much as \$151,890.

The amount that would be saved through adjusting some special education school bus routes is estimated at \$20,496.

All transportation reviews should consider the impact of any proposed changes on classified students.

D. Cash Management

Placing funds from the high school activity fund in an interest-bearing account should realize extra money for the school. \$1,148

The high school will achieve productivity savings if the accounting of the activity fund is shifted from manual ledgers to an inexpensive computer software program. \$9,152

E. Stipends

Elimination of payments for boiler license fees through negotiations would save the district \$15,500.

F. S.E.M.I.

Greater efficiency in reporting and crediting work of the district nurses should yield an additional \$22,000 to the board treasury through the Special Education Medicaid Initiative.

G. Custodial

The district would save significant funds if custodial costs were bid for lower rates. \$133,688

H. Investment

Comparison shopping among a variety of interest accounts should yield additional revenue in the amount of \$18,000.

**COMPARISON OF BUDGET APPROPRIATION, STATE AID,
AND LOCAL TAX RATE WITH RECOMMENDATION IN
HILLSIDE BOARD OF EDUCATION COSTS**

A. Health Care Costs	\$119,894
B. Technology Software/Consultants	\$16,985
C. Transportation	\$225,086
D. Cash Management	\$10,300
E. Stipends	\$15,500
F. Special Education Medicaid Incentive	\$22,000
G. Custodial	\$133,688
H. Investment	\$18,000
 Total Potential for Savings	 \$561,453
 Total Amount Raised for Municipal Tax (FY96)	 \$13,927,263
 Savings as a % of Municipal Tax*	 4.0%
 Total State Aid (FY96)	 \$9,675,323
 Savings as a % of State Aid*	 5.8%
 Total Budget (FY96)	 \$22,987,998
 Savings as a % of Budget	 2.4%

***Based upon savings of \$561,453**

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COMMUNITY OVERVIEW

The township of Hillside is located in Union County in northern New Jersey. This residential community has some modest commercial activity, mostly along state route 22, which divides the township north and south. Hillside is 2.7 square miles in area. The 1994 New Jersey Municipal Data Book estimated the township's population to be 21,820 for a population density of 7,821 persons per square mile.

The 1990 U.S. census reported that the median Hillside family income was \$47,018. The median value of a single family home was \$140,700. The 1990 census reported that the Hillside population was 46% white, 36% black, 12% Hispanic, 3.8% Asian/Pacific Islander, 2.1% other, and American Indian .1%. The racial composition of the Hillside school district for the 1995-96 school year was 22% white, 62% black, 12% Hispanic and 4% Asian/Pacific Islander.

As a result of a 1989 court mandated State Desegregation Plan, the Hillside District currently operates one four-year high school, one middle school grades 7-8, one school for grades 5-6, three K-4 schools, and one pre-kindergarten-kindergarten center. The Hillside schools have urban characteristics but are not one of the 28 "Special Needs" districts as identified by the New Jersey Supreme Court in *Abbott vs. Burke*.

As of October 15, 1996 Hillside High School housed 1,272 students. The Krumbiegel Middle School had a student population of 456 students. George Washington School numbered 468 students in grades five and six. Calvin Coolidge School had 153 students in grades K-4. Hurden Locker School had 551 students also in grades K-4. A.P. Morris School had 369 students in grades 1-4. Saybrook School had 102 students in kindergarten and pre-kindergarten.

According to the state's Comprehensive Annual Financial Report, the district employs 315 full-time workers including a professional staff of 201 employees. There are also 45 part-time employees.

The state education department groups public school districts by socio-economic indicators for comparison purposes. Hillside is assigned to the CD (low/moderate income) district factor group, the third poorest grouping.

I. BEST PRACTICES

A very important part of the Local Government Budget Review report is the Best Practices section. During the course of every review, each review team identifies procedures, programs and practices, which are noteworthy and deserving recognition. Best practices are presented to encourage replication in communities and schools throughout the state. By implementing these practices, municipalities and school districts can benefit from the Local Government review process and possibly save considerable expense on their own.

Just as we are not able to identify every area of potential cost savings, the review team cannot cite every area of cost effective effort. As you read the report you will note that the Hillside schools are commended numerous times for their practices and policies. The board of education and its staff, administrative and instructional, have pursued many cost saving practices to conserve tax dollars in Hillside. Below are highlights of those practices.

Internal Savings Initiatives

In recent years, the Hillside Schools have taken action to identify and effect cost savings. The superintendent and school business administrator have been an effective team in these economies. This has been very important in economically stressed Hillside.

Examples of savings initiatives include: food and transportation services being provided by private contractors, reduction in custodial costs through staff reductions, and pooled purchasing with other districts.

In other communities, savings either realized or projected have been identified and listed for the information of the board of education and the community. The list is updated regularly with a running total of savings being provided. A procedure such as described above might be helpful in Hillside in order to let citizens and staff know about positive action in saving tax dollars.

The district is to be commended for participating in shared purchasing programs through the Union County Educational Services Commission for electricity, natural gas, and heating oil. Automobile fuel is purchased in cooperation with the township of Hillside, which participates in the Union County Cooperative Purchasing Plan.

Cooperative Programs With Colleges

The Hillside schools have a variety of cooperative programs and services with colleges near and far—from hometown Kean to Montclair and Temple Universities. The superintendent and the board of education have excellent ideas, which broaden the resources available to staff, students, and community through these programs. Kean College, especially, can offer much to Hillside in the areas of fine and performing arts experiences.

Technology is another field in which Kean and Hillside should be able to cooperate. Staff development could be made available through instructional television at the George Washington School. Kean College might also offer credit for distance learning courses for high school students. We commend the superintendent and the Hillside Board of Education for reaching out to share the good things of the school district with higher educational institutions. We hope that the creativity of the Hillside schools will be rewarded by greater involvement with neighboring colleges.

Hillside Schools Foundation

A Hillside Schools Foundation has been established. Given the financial difficulties of school funding in Hillside, the Local Government Budget Review (LGBR) team urges the district to help the foundation aggressively pursue creative avenues to gain additional revenue. Similar foundations are active in other districts in New Jersey. The one in Totowa can provide a great deal of information about foundation activities.

Army Junior R.O.T.C.

The United States Army Junior R.O.T.C. program at Hillside High School is a source of pride and student involvement. The team was impressed with the esprit de corps of the R.O.T.C. members and their faculty. The program provides learning about self-discipline, team work, and striving for high goals to its cadets. The federal government pays for a portion of the cost of this program.

Academic Initiatives at Hillside High

The board of education and the faculty of Hillside High School are making positive efforts to increase academic achievement through additional advanced placement courses as well as an academic summer camp to help students with basic skill acquisition and test taking skills. We applaud the work of all who seek to improve learning through academic initiatives at the high school. These activities reduce potential costs if students were to fail courses and have to retake them.

Honors Field Trips at the George Washington School

A committee of parents, teachers, and the principal of the school devised a program of field trips as a counterbalance to peer pressure that was causing students to avoid classroom success. Initially, a field trip to the Meadowlands sports complex was established for honor roll students. The event included a tour and gifts from the teams that use the facility. The students arrived back at the school in time to let classmates see the tangible reward of classroom excellence. The next trip, sites vary, required a larger bus. Now three buses are needed for the thrice a year trips.

For some students honor roll standing is not possible. The school permits these students, with the advice of teachers, to set learning goals in an individual program. Those who achieve two-thirds or more of these goals are permitted to go on the last trip of the year. The school P.T.O. and parents help with transportation costs.

Afternoon Curriculum Planning

The district's five-year curriculum plan provides essential coverage for the review and upgrading of its course offerings for the prescribed learning program. Curriculum review activities are conducted during the Monday afternoon workshop sessions. In this way the district is able to save money that would otherwise have to be spent for summer employment of staff.

II. FINDINGS AND RECOMMENDATIONS

The purpose of this section of the review report is to identify opportunities for change and to make recommendations that will result in more efficient operation and financial savings to the district and its taxpayers.

In its study, the review team found the district makes a conscious effort to control costs and to explore areas of cost saving efficiencies in its operations. Many of these are identified in the Best Practices section of this report. Others will be noted, as appropriate, in the findings to follow. The district is to be commended for its efforts. The review team did find areas where additional savings could be generated and has made recommendations for change that will result in reduced costs or increased revenue.

Where possible, a dollar value has been assigned to each recommendation to provide a measure of importance or magnitude to illustrate cost savings. The time it will take to implement each recommendation will vary. It is not possible to expect the total projected savings to be achieved in a short period of time. Nevertheless, the total savings and revenue enhancements should be viewed as an attainable goal. The impact will be reflected in the immediate budget, future budgets, and the tax rate(s). Some recommendations are subject to collective bargaining considerations and, therefore, may not be implemented until the next round of negotiations. The total savings will lead to a reduction in tax rates due to improvements in budgeting, cash management, cost control, and revenue enhancement.

COMPARATIVE ANALYSES

In addition to several months of site visits various comparative analyses were employed by the team. We used New Jersey Department of Education (DOE) data as well as district documents, various state agencies, state education associations, and other publications. School districts used for direct comparison with Hillside were Rahway and Roselle. These are K-12 districts in Union County that are designated CD, “low/moderate” economic status by the state department of education. Other comparative information is based on records of K-12 districts throughout the state with enrollments between 1,801 and 3,500 students (72).

In a review of actual costs for the 1996-97 school years, as submitted to the New Jersey Department of Education and reported in the March 1997 Comparative Spending Guide, Hillside as a district spent the third lowest amount in total cost per pupil of the 72 kindergarten - grade twelve districts in New Jersey with enrollments between 1801 and 3,500 students. The two previous school years respectively, Hillside spent the second lowest and third lowest amounts per pupil. The state average per pupil expenditure in K-12 districts in Hillside’s enrollment range was \$7,502 in 1996-97. Hillside spent \$6,322.

The statistical table below uses the Comparative Spending Guide cited in the previous paragraph. It displays per pupil costs in Hillside for various spending categories and lists Hillside’s ranking within the 72 kindergarten-grade twelve districts across the state.

Table 1. Hillside per pupil costs ranking
lowest group expenditure = 1
highest group expenditure = 72

Category	Ranking	Cost
Total cost/pupil	3	\$6322
Total classroom instruction	4	
Salaries/benefits	4	
Note: This is 94.9% of classroom instruction costs.		
Supplies/texts	45	
Total support services	4	
Total administration	10	
Admin salary/benefits	8	
Operation/maintenance	27	
Salary/benefits Op/Main	44	
Extra curricular	1	

In order to gain additional perspective regarding district spending we used the 1995-96 Cost of Education Index published by the New Jersey School Boards Association. In terms of total current expense spending per student, Hillside spent \$6,064, the statewide spending averaged \$7,473, the average in Union County was \$7,698, the 168 districts considered to be in Hillside’s economic category spent an average of \$6,983, and the K-12 districts in Hillside’s enrollment group spent \$7,635.

COMPARISON OF REVENUES AND EXPENDITURES

	<u>Hillside</u>		<u>Rahway</u>		<u>Roselle</u>	
Local Tax Levy	13,927,263	57.03%	20,779,251	69.25%	15,681,320	63.13%
State Aid	9,675,323	39.62%	7,689,631	25.63%	8,128,667	32.73%
Federal Aid	555,831	2.28%	785,487	2.62%	738,586	2.97%
Other	264,591	1.08%	750,700	2.50%	290,007	1.17%
Total Revenue (All Funds)	24,423,008	100.00%	30,005,070		24,838,580	
<u>Expenditures</u>						
Regular Program-Instruction	7,379,714	33.26%	9,685,811	33.94%	7,190,814	31.79%
Special Education	1,239,610	5.59%	1,896,906	6.65%	1,514,877	6.70%
Basic Skills-Remedial	678,498	3.06%	819,413	2.87%	640,708	2.83%
Bilingual Education	117,887	0.53%	165,515	0.58%	371,733	1.64%
Vocational Program		0.00%		0.00%		0.00%
Sponsored Co-curr Activities	4,090	0.02%	68,826	0.24%	35,679	0.16%
Sponsored Athletics	209,422	0.94%	349,400	1.22%	264,114	1.17%
Other Instruction Program	-	0.00%		0.00%	-	0.00%
Community Services Program	11,116	0.05%	33,250	0.12%	-	0.00%
Total Instructional Cost	9,640,336		13,019,121		10,017,925	
Undistributed Exp. - Instruction	2,362,292	10.65%	2,025,138	7.10%	3,012,008	13.32%
Total Instructional Cost.	9,640,336		13,019,121		10,017,925	
At Hillside's Enrollment	9,640,336		11,529,228		11,175,676	
General Administration	505,821	2.28%	744,537	2.61%	641,772	2.84%
School Administration	1,242,474	5.60%	1,515,182	5.31%	1,023,223	4.52%
Total Administration Cost	1,748,295		2,259,719		1,664,995	
Total Administration \$\$	1,748,295		2,259,719		1,664,995	
At Hillside's Enrollment	1,748,295		2,001,119		1,857,415	
Food Service	2,684	0.01%		0.00%		0.00%
Health Service	284,154	1.28%	311,245	1.09%	241,689	1.07%
Attendance & Social Service Work	23,498	0.11%	94,369	0.33%	92,384	0.41%
Other Support Service	776,797	3.50%	894,398	3.13%	851,539	3.77%
Other - Imprv. of Inst. Service	195,323	0.88%	749,018	2.62%	41,860	0.19%
Media Service./School Library	245,81	1.11%	245,294	0.86%	208,356	0.92%
Operation of Plant	2,309,839	10.41%	2,304,214	8.07%	1,838,894	8.13%
Other		0.00%	-	0.00%	918,031	4.06%
Business & Other Support Service	2,509,441	11.31%	3,917,748	13.73%	1,664,995	7.36%
Total Support Services	6,347,554		8,516,286		5,857,748	
Total Support \$\$	6,347,554		8,516,286		5,857,748	
At Hillside's Enrollment	6,347,554		7,541,692		6,534,716	
Transportation	735,966	3.32%	976,821	3.42%	723,665	3.20%
Capital Outlay	417,289	1.88%	487,150	1.71%	381,035	1.68%
Special School		0.00%	15,796	0.06%	40,946	0.18%
On-behalf TPAF pension	109,398		136,437		105,131	
Reimbursed TPAF pension	829,026		1,101,515		812,900	
Total Gen. Fund Expenditures	22,190,155		28,537,983		22,616,353	
Number of Students	2,809		3,172		2,518	
Per Student Rates						
Instruction Cost Per Student	3,432		4,104		3,979	
Admin. Cost Per Student	622		712		661	
Support Service Cost Per Student	2,260		2,685		2,326	
Total Gen. Fund Cost Per Student	7,900		8,997		8,982	

Source: School district's 1996-7 CAFR

ORGANIZATION AND ADMINISTRATION

The Hillside district follows a structure of an elected nine person board of directors with a central administration of a superintendent of schools, a business administrator/board secretary, several part-time assistants, plus a complement of clerical workers.

At the school level, each is headed by principal, aided by a clerical and custodial staff. Teachers and instructional aides provide the essential learning services.

The administrative structure is very efficient. Hillside gets its money's worth in that the administration is not over-staffed and gets a lot done with limited personnel. Some shared jobs, especially a part-time principal doubling as Director of Special Services, raise questions as to how effective one person, no matter how hard working and dedicated, can be serving two major job responsibilities.

A problem common to many school districts is the tendency of some members of the board of education to, at times, move beyond their responsibilities as setters of policy and overseers of the implementation of policy into the responsibilities of the administration---the day-to-day running of the schools. In our work in the Hillside district the LGBR team heard a variety reports' of such micro-managing. These intrusions can disrupt district operations and waste funds when things are not done properly. Examples of micro-managing reported included switching banking services without a Request For Proposal (R.F.P), and then switching back to the original bank, again without an R.F.P. Meetings of the ad hoc committee for facility planning initially did not include the school business administrator. The board of education has had to settle a breach of contract suit over insurance coverage. The Hillside Board of Education has a committee system that affords members the opportunity to deal with various aspects of district operations. The committees then report to the board.

The role of board members is clarified in policy #9200 "Individual Members": "It is understood that the members of the board of education have authority only when acting as a board legally in session. No board member, by virtue of his office, shall exercise any administrative responsibility with respect to the schools..." The Code of Ethics of the New Jersey School Boards Association, which has been adopted by the Hillside Board of Education, makes a similar point: "4. I will carry out my responsibility, not to administer the schools, but, together with my fellow board members, to see that they are well run."

Perhaps some work with representatives of the New Jersey School Boards Association would help to further clarify board member roles and responsibilities.

Overall, the district's administration works well and is very cost conscious. Despite the references to some board micromanaging, the board and the administration generally work well together.

Staffing

Hillside has significant space limitations in its schools. Enrollment projections delivered to the superintendent on January 28, 1998 by a special consultant predict an enrollment increase of 200 pupils by September 2001. Instructional space is completely used at present in all schools with the possible exception of the high school. Given enrollment forecasts it is likely that the district will have to open at least two more special education classes.

The superintendent's annual report issued in August 1997 listed the average class sizes

as: GRADE	1995-6	1996-7
K	23	25
1-4	22	25
5-6	27	26
7-8	25	27

The high school was listed as having a 15 to one teacher student ratio in the June 30, 1996 New Jersey School Report Card. The district administration projected the ratio to increase to 1:20 for the next year.

The student administrator ratio was 1:188 for Hillside, 1:136 for Rahway, and 1:111 for Roselle.

Demographic records predict growth with virtually no additional space available in existing schools. There are no situations to warrant recommendations to reduce teaching staff nor administration.

Facilities Needs

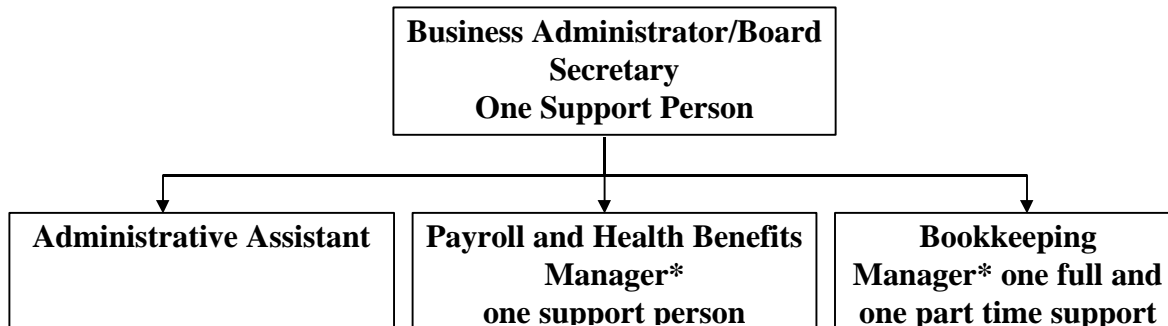
The public school buildings of Hillside are very old. The average age of the 2,279 school buildings in New Jersey is 47 years. The average age of the core facilities of the Hillside school district is 74 years. New Jersey's twenty-eight special needs districts original buildings average 56 years.

Swift and determined action is needed to fix a problem that has hampered education in Hillside for decades. The county superintendent has repeatedly signed off on the district's annual requests to utilize alternative methods to meet state educational building codes. Waivers have been needed to use substandard facilities. Temporizing as a response is no longer an acceptable solution. If pursued vigorously, modernization of Hillside's school buildings will be the best of all practices for the children of Hillside.

A recent study done for the board of education by a New Jersey architectural firm provided these estimates of costs to modify the existing school buildings: \$10.5 million to bring the buildings to compliance with the New Jersey Construction Code; \$16.5 million for general repairs; and, \$3.8 million for educational and capacity deficits.

Business Department

The Hillside School District has a business office divided into three sections: the business administrator's office, the benefits and payroll office, and the bookkeeping office. The three divisions are staffed by seven full and one part time employee. There is one business administrator, an administrative assistant, a benefits manager, a bookkeeping manager, and support staff. No one is assigned to act as an assistant or backup to the business administrator. The organizational chart that follows illustrates the design of the business office.



*Managers are paid on the 12-month secretary scale.

Business Administrator

The business administrator appears to be dedicated to saving taxpayer money. Promoted from the position of assistant business administrator, she has spent the last two years seeking efficiencies and improving business operations. For example, in addition to legal requirements, the business administrator bids as many of the district services as possible. These include, but are not limited to insurance, boiler maintenance, custodial supplies, and district supplies. The business administrator was responsible for properly eliminating health benefits for aides who worked less than three and one-half hours a day. In addition, cost saving decisions regarding health care, prescription benefits, boiler maintenance and purchasing have been instituted.

When the current business administrator was promoted, the board decided not to fill the position of assistant business administrator. While the business administrator has been able to perform the responsibilities of the combined positions, some delegation of authority to assistants might improve workflow without lessening its quality. This also would not mean an increase in staff. The impact of this decision was evident as the team meeting with the business administrator was often interrupted with important daily decisions that, under the present arrangement can only be made by the business administrator. When she is unavailable, important decisions must wait. Communications would also be improved if individual beepers were provided to key administrators so that contact with school officials can be maintained while they are away from their office or school.

The district employs an administrative assistant for the business administrator. The administrative assistant is responsible for administrative operations including bidding, advertising, food services, contract maintenance and custodial and grounds. While the district does not have an assistant business administrator, we found that the administrative assistant often performed similar duties.

In addition to the above functions, the administrative assistant acted as the business office liaison to the schools relating to the overall maintenance, risk management and enterprise functions of the district.

Recommendation:

Key personnel should be provided with beepers to expedite communications. In addition, provision should be made to train existing personnel to provide backup for basic operational decisions when the business administrator is not in the office. The team feels that any of the “managers” working within the business office can fill in when needed. Because of the recommendations found in the bookkeeping and technology sections of this report, there should be little or no cost associated with this improvement of organizational procedures.

Policy and Procedure Manuals

Business office policy and procedure manuals provide guidance, minimize the uncertainty of transition when personnel changes occur, and provide clarification for current employees seeking information about a specific operation. Policies and procedures should be reviewed and updated periodically. As part of the business office review, we reviewed district policy and procedure manuals. At present, the district does not have written policy and procedures for operations in the business office. Most of the governance for the district flow from board of education policies. It is vital that policies be up to date and reflect good organizational practices.

LGBR found the Hillside Board of Education policies in serious need of review. Most of the policies were last approved in 1977. Some review and revision has taken place since then,. However, **we recommend that a complete policy review be done using a professional review service such as the New Jersey School Boards Association or a consulting firm that specializes in such reviews.**

Recommendations:

Business office managers should write procedure manuals for their respective offices. The drafts should be reviewed by the business administrator and superintendent. Final versions should be presented to the board of education for official adoption.

The board of education should take steps to have its general operating policies revised and updated.

CONTRACTS AND BIDDING

The district uses the bidding process as much as possible for services to the district. Included in the bidding are custodial supplies, maintenance services considered beyond the capacity of the maintenance/custodial staff, paper, office and school supplies. Advertisement soliciting bids is usually done through a regional newspaper.

New Jersey Statutes: Title 40 and New Jersey Statutes: 18 A allow the establishment of cooperative purchasing groups between schools and/or municipalities. One such group in the Hillside area is the West/Central Cooperative, which includes several nearby school districts. Cooperative purchasing has saved money for cooperative members in art and general supplies, copy paper, audio visuals supplies, fine arts materials, health supplies, home economics supplies, physical education equipment, science equipment, general maintenance supplies, computers and audio visual equipment. On average, the cooperative group has purchased items up to 30-40% below state contract prices.

Recommendation:

The West/Central Cooperative includes several school districts in Union County. Combined purchasing power almost always results in greater savings. Therefore, it is recommended that Hillside compare the results of its bidding to the bidding prices of the West/Central Cooperative and participate in the cooperative, should the prices warrant.

Payroll and Benefits

Two business office employees are responsible for maintaining benefits and payroll. These individuals monitor the personnel programs on a monthly basis to insure that new and ex-employees' benefit records are up to date. Through the use of spreadsheets, the payroll and benefit manager tracks the monthly benefit activity. Eventually, the business office plans to have the computer programmer convert the spreadsheets to a database format. As is discussed in the technology section in greater detail, payroll is in the process of computerization through a recently purchased software package. In general, these employees' constant vigilance in maintaining accurate health benefits records insures that the district is not paying benefits for employees no longer employed.

Recommendations:

The recently acquired business package includes a module, which performs the same function as the spreadsheets designed and used in the benefits and payroll office. The module then interfaces with other components in the program to provide various financial analysis reports regarding current and projected costs and expenses. It is therefore recommended that the district discontinue the use of the spreadsheets and its plan to convert to a database format and provide training in use of the business financial software package.

Health Care

The Hillside school district enrolled in the State Health Benefits Plan on July 1, 1997. Three hundred fifty employees participate in the program at a cost of \$767,563. The enrollment is distributed as follows:

Hillside School District Health Care						
Group	Single	Spouse	Emphy/Child	Family	Total	Percent
Traditional	67	54	6	61	188	54%
NJ Plus	24	23	6	31	84	24%
HMO's	15	13	10	40	78	22%
				Total	350	

Hillside also provides prescription coverage for 314 employees. It should be noted that Hillside's prescription plan is not part of the state benefits package, but is with the corporate version of the New Jersey Blue Cross/ Blue Shield plan. The business office decided to use the corporate plan after a comparative analysis between the two plans revealed that the district could save approximately \$2,000 dollars by using the corporate plan.

Recommendation:

Indemnity or traditional programs are very costly; they are expensive for Hillside since 54% of the school employees participate in the traditional plan. Recent health care and contract negotiation trends show that employees are beginning to share the cost of traditional health care plans with the employer. This can result in a reduction of health benefit costs either through premium sharing or the migration of employees from the more expensive traditional plans to managed care plans. Therefore, the district should consider negotiating shared health care costs for those employees choosing the traditional plan.

New Jersey law currently allows employers participating in the New Jersey State Health Benefits Program to supply only single coverage. Although Hillside does not charge participants for additional coverage---dependent and family, the state program does allow the cost to be passed on to the employee. The estimated savings to Hillside, should this be done, is estimated below.

Estimated Savings: \$119,894

Personnel - Sick Time Costs

LGBR reviewed a staff sick time database provided by the district. As part of the review long term, documented illnesses and long term absences for substantiated reasons were removed from the list. Our evaluation revealed that the top twenty-two sick time users remaining could have accumulated a maximum of 4,176 sick days. Instead they had a total of 165 days. This does not

include the cost of replacement or lost work. Measured in salary terms alone, the district paid \$1,126,193 in sick day salaries. The cost of the top 22 users was \$976,815 of that amount.

Recommendation:

The district has a sick time abuse policy, but as this evaluation indicates, that policy needs to be reviewed to determine its effectiveness. A reduction in sick leave problems would result in significant cost savings for substitute salaries and increased productivity in learning, while still permitting those with legitimate illnesses to care for themselves.

Purchasing and Bookkeeping

The district participates in several joint purchasing efforts with local and county entities to help lower the cost of goods purchased. Fuel for district vehicles is purchased from the municipal government while oil and gas for facility consumption are obtained through county bid contracts. The district continues to seek out other opportunities to increase savings when purchasing.

The bookkeeping and purchasing departments employ two and one-half full time equivalent employees. These workers process approximately 4,000 purchase orders yearly. The current purchase order system is extremely cumbersome. It involves having a secretary from the requesting school type a purchase order on behalf of the teacher. The purchase order must then be signed by the principal and superintendent before it is sent to the business office. The business office then verifies the vendor, account and availability of funds. If there are no problems, the purchase order is then sent to the business administrator for her signature before it is entered into the computer and sent to the vendor. If there have not been any price changes, the vendor then sends the shipment to the appropriate destination. Once all the items received have been catalogued, a representative at the school signs off on the shipment and sends the paperwork to the district for final payment processing. On a monthly basis, the board then approves the issuance of payments. The team identified at least eleven steps for a basic purchase order process, barring any complications. Many districts use this process since it offers a check and balance protection despite its cumbersome nature. Under a paper process, by having a purchase order originate at the school level and require various signatures before the order is received in the business office, the district insures that items purchased are necessary. Still, the process prohibits the district from taking advantage of 28-day payment discounts, and forces schools to purchase by speculating on future consumption.

Due to complications with the business office computer network, the district purchased a new software package for processing all financial functions. The program includes a requisition package that has the ability to streamline the purchasing process. It also includes an approval process that will maintain the integrity associated with paper processes. The program allows principals to request the purchase of needed supplies through computers located in each school. At the time of requisition, it determines the availability of funds and, if authorized, encumbers the funds immediately. This function alone allows the business office to determine an accurate account status at any time. The requisition program can include up to four levels of authorization before printing a purchase order in the business office thereby providing a variety safeguards.

Once the business office prints the purchase order, the signature of the business administrator is all that is required at the district office in order to send the order to the vendor.

Recommendation:

The adoption of the requisition process will partially implement an electronic purchasing order system. The immediate processing and encumbrance of funds will help the district improve the efficiency of the process. It will eliminate the typing of purchase orders subsequent to entry in the system. It is recommended that the district utilize this requisition module.

Long Term Debt

According to the 1997 CAFR, Hillside has a 37 million-dollar bonding capacity. However, the district has not bonded for any long-term debt. The district engaged in a long-term lease purchase agreement in 1994 for the amount of \$1,310,000. The basic rent payment schedule for the lease purchase agreement is illustrated in the following table:

Payment Date	Principal	Interest	Interest Rate	Total Semi-Annual Payment
2/15/95	\$190,000	\$32,528.75	4.20	\$222,528.75
8/15/95	\$115,000	\$28,538.75	4.40	\$143,538.75
2/15/96	\$115,000	\$26,008.75	4.70	\$141,008.75
8/15/96	\$120,000	\$23,306.25	4.90	\$143,306.25
2/15/97	\$120,000	\$20,366.25	5.10	\$140,366.25
8/15/97	\$125,000	\$17,306.25	5.10	\$142,306.25
2/15/98	\$125,000	\$14,118.75	5.25	\$139,118.75
8/15/98	\$130,000	\$10,837.50	5.25	\$140,837.50
2/15/99	\$135,000	\$7,425.00	5.50	\$142,425.00
8/15/99	\$135,000	\$3,712.50	5.50	\$138,712.50
Totals	\$1,310,000	\$184,148.75		\$1,494,148.75

When a bond referendum failed to pass, the board of education utilized a lease-purchase arrangement to finance capital upgrades. The district utilized the funds for boiler conversions oil to gas, electrical upgrades, installation of fire systems, and removal of underground oil tanks.

Capital improvements are important. However, funding such improvements through lease purchase agreements does not represent the most efficient use of taxpayer's money. Although in extreme situations need may override efficiency this was not necessarily the case in Hillside. The difference between bonding and lease purchase in this situation is estimated at \$40,000 excess cost to the district.

In addition, it appears there was not a prioritization of needs. For example, the district funded the installation of a fire alarm system at Walter O. Krumbiegel School before replacing the school's leaking roof. Rain later leaked through the roof and caused the new alarm system to malfunction.

Recommendation:

Long term capital improvements, if at all possible, should be funded through bonds instead of lease purchase agreements, since bonding generally costs taxpayers less money. Therefore, given the financial concerns in Hillside, the district should consider a public awareness campaign to make citizens aware of the facility needs in the schools.

INSURANCE

Commercial, General Liability, Automobile and Workers Compensation Policy

Workers compensation, automobile, and commercial and general liability policies are provided by the same insurance agent. As a result of the bidding process, the district secured a one-year contract with renewable rights for three years and a clause that included a cap on increases. Hillside is currently in the third year of that contract. At the completion of the contract, the district will bid for the best price. The district insures its vehicle fleet for \$1,000,000 per occurrence with a \$500 deductible for collision. The Commercial General Liability coverage totals \$7,000,000. The district carries a total blanket policy of \$60,327,533 per incident. It also includes a maximum pay out of \$521,250 for computer equipment.

Recommendation:

As outlined in the technology section of this report, the district has initiated several major technology purchases: satellite TV, interactive TV, and computers. These actions, coupled with the projects in the district's technology plan, may mean that the district is approaching the maximum insurance pay out for computer equipment. It is therefore recommended that, at the completion of a district appraisal and inventory, the insurance policy covering computers be re-evaluated to insure that the district has adequate coverage.

The district has had very few workers' compensation claims for the past two years. Its safety committee meets quarterly to evaluate potential risks, which are evaluated in the Risk Management Section of the report. The Hillside district participates in a Joint Insurance Fund (JIF) for the workers' compensation policy, with limits of \$500,000 per occurrence, \$500,000 bodily injury and a \$500,000 policy limit. We commend the district for its participation in a joint insurance fund in a continuing effort to reduce costs. However, the almost automatic five to ten percent administrative cost savings that JIF participation has meant in the past may not hold up in today's competitive insurance climate. Three years ago the district entered into an agreement with its current carrier that permitted the district to renew the policy each year at the 1995 premium price. At the conclusion of that agreement we recommend that JIF prices be compared with bids from commercial companies, in order to ensure the best value for the district and its taxpayers.

During our review, LGBR discovered that the board of education had taken out an umbrella liability insurance policy to cover claims against the board arising from non-district users of district facilities. This was puzzling since the district facility use request form contained a requirement that all applicants present evidence of insurance as part of the application. Our spot checks of applications revealed only one instance in which a user group had not produced evidence of insurance.

We suggest that the board apply its facility use requirements consistently, or change them. We further recommend that the board discuss with its attorney and insurance agent the possible ramifications of permitting facility use by uninsured parties. The district's insurance broker felt its coverage represents the norm for a district Hillside's size.

Type of Insurance	Cost
Employee Bonding	\$515
Property & General Liability	\$74,500
Professional/Educator's Legal Liability	\$28,000
Umbrella Property & General Liability	\$15,000
Total	\$92,815

Recommendation:

When its current multiple year contract expires the district should bid and compare its casualty and general liability policies with joint insurance funds and commercial companies to insure that Hillside is obtaining maximum cost savings.

VEHICLE FLEET AND EQUIPMENT

The Hillside Board of Education's vehicle fleet consists of eleven vehicles. Inventoried are seven commercial type vehicles (three with plows), two trailers, one passenger vehicle (used for driver's education) and one tractor. Since its fleet is small, the board of education utilizes a local garage for repairs and a specialized facility for routine oil changes. All fuel is purchased from the municipal public works department.

Like many school districts, the size of Hillside's fleet makes it inefficient to operate its own maintenance department. However, privatization efforts are not feasible since most vendors require a fleet of at least 100 vehicles. Even combining fleets between the municipal government and district does not meet the required minimum.

Recommendations:

The district owns miscellaneous equipment from an old auto-shop program at the high school, which should be moved to surplus and auctioned or transferred to the municipal public works in exchange for vehicle service or fuel.

Hillside should explore merging maintenance operations with the municipal government and, then, with nearby local municipalities and school districts. It is recommended that the district first merge vehicle maintenance with the municipal motor pool and, then, approach neighboring local governments with the intent of creating a regional fleet of over 100 vehicles. A fleet that size would permit exploration of private contracting of maintenance.

BUDGETING

The current superintendent has changed the budgeting process from a top down approach to a site based procedure. Each school principal is responsible for developing the school's budget within the limits set by the business office and the superintendent. Each December the teachers estimate their needs, ranking them on a priority basis. The principal evaluates the requests, merges them into a larger spending plan and submits a budget to the superintendent. This site-based budget development has been met with much enthusiasm by the schools, as it has empowered all levels of participants in budget development.

Budget Surplus

Surplus is the amount of money held in reserve and left over after the interaction between current year revenues and expenditures. In the event expenses exceed the amount of revenues, a deficit would occur unless spending is curtailed prior to the end of that year. Surplus funds are set aside in order to provide funds for emergencies or other items beyond the board's control. Sound financial controls are required to ensure that surplus funds are accurately estimated and used only for their intended purpose, rather than simply readily available revenue to meet higher expenditures throughout the year.

In terms of revenue, a district knows precisely how much will come from the local tax levy and can make an estimate as to the amount of other revenue. From the 1994-95 school year to the 1996-97 school year, local taxes have provided approximately 58% of Hillside's total revenue with state, federal and other sources providing 38%, 2.5% and 1%, respectively.

Approximately 60% of Hillside's expenses are for salaries. Except during contract renewal years, the district should be able to accurately determine the amount needed for salaries. Moreover, the salary estimate will usually be higher since terminations, layoffs and resignations often result in lower salary costs. The remaining 40% of the budget can be somewhat variable, although much can be determined through the use of multi-year contracts and purchasing agreements. A review of actual salary expenditures, as compared with projected estimates for a four year period, revealed the district had over-estimated salaries by an average of \$481,667 a year. The range varied from \$226,596 in 1993-94 to \$859,434 in 1995-96.

In the past four years, the district has had trouble accurately estimating its surplus, especially in the 1995-96 and 1996-97 budget years. In the 1993-94 budget, the board projected a \$147,900 deficit or 2% surplus in a twenty two million dollar budget. The board's intention was to use \$147,900 from the 1992-93 surplus of \$626,263 and leave a surplus of less than 1% at the conclusion of the 1993-94 budget. Based on the 1993-94 CAFR, the district saved \$952,511, which generated a surplus of 1.4 million dollars. The board's projected surplus of less than 1% became an actual surplus of approximately 6%. For the 1994-95 budget, the board projected a 3% surplus, but at the conclusion of the budget year realized a savings of over one million dollars. This generated an actual surplus of 8% of the actual budget expenses. During the 1995-96 budget, the board estimated a 2% surplus, but instead had a 15% surplus. For the 1996-97 school year, the board increased its estimated surplus to 7% but ended with a 15% surplus.

On July 1, 1997, the total general fund had a balance of \$3,720,144. This in spite of incorporating a \$1,324,058 deficit in the 1996-97 budget. The year-end balance specified the following breakdown; \$509,932.63 was encumbered, \$127,424.69 was designated as excess surplus and \$613,541 was reserved for the capital reserve account. Listed as unreserved was \$1,065,904 for subsequent years expenditures and \$1,403,341.87 listed as undesignated. As a result of the inaccurate budget estimates, the year end general fund balance increased from \$626,269 in 1994 to \$3,720,144 by July 1, 1997, an increase of 542%.

At the same time the year-end general fund was increasing, the local tax levy was also increasing. In 1992 the tax assessment was \$3.74 per \$100 assessed value, which increased to \$5.28 or a 28% increase by the 1997-98 budget year.

It is understood that each district has to determine what is a "reasonable" amount of surplus in its budget and implement proper financial controls to ensure these estimates are achieved. However, as illustrated, the accuracy with which the district handles its surplus has significant implications for local taxpayers.

By state law, surpluses cannot exceed a maximum of six percent. Generally, it is suggested that school district surpluses be approximately 3.5%.

Recommendations:

It is recommended that the undesignated \$1,403,341 listed in the fund balance be reduced by \$425,000. Ultimately, the board of education will decide where to make any transfers. Given the facility problems of the district, LGBR feels that the district's capital reserve account would be the likely recipient of the transferred funds. If a redistribution of surplus were to take place, the district would still have a three to four percent surplus, in addition to a sizable capital improvement account, to handle emergencies.

It is recommended that the district develop methods that result in more accurate budget estimates. Persistent over-estimates of revenue needs mean that taxes have been collected that were unnecessary.

Transfers

Transfers of funds between budget line items usually occur when unexpected expenses occur during the school year. The team reviewed transfer reports for the past two years. Because transfers tend to cancel each other out, our analysis focused on positive or “transfer in” actions. We found that during the 1995-96 school year a total of 5.6 million dollars or 25.5% of the total budget for that year was transferred into various accounts. The largest percentage of transfers occurred in the Fund 11 (program area) at 20%. In the 1996-97 school year, the amount increased to 6.5 million dollars, or 26.4% of the budget. Fund 11 transfers for this time represented 16%. When we factored out year beginning and end transfers because they appeared to be “housekeeping” opening and closing new account balances, the transfer rate was about 10%. In the 1996-97 school year we found that over 2.2 million dollars in transfers were for less than \$100,000. In Fund 11-0-260-0 through 620 there were \$584,177 in program transfers. Function 290 listed a total of \$679,535 in transfers.

Recommendation:

The transfer rates suggest that the district may need to fine tune its budgeting process and more accurately define its budget needs at the beginning of the year. While LGBR recognizes that the older facilities may need emergency repairs and appropriations, the majority of the transfers occurred in program funds, an area that should have been budgeted for. It is recommended that Hillside examine the line items with high transfer amounts and re-evaluate its decisions regarding budgeting for these programs.

Management Information Systems

Although technology is a major concern for school districts, much of the emphasis is usually placed on the instructional setting rather than administrative operations. The Hillside superintendent has purchased computers for administrative purposes as the district has increased the use of modern technology into daily operations. In the past eighteen months, the district has installed a local area network (LAN) in each building. Eventually each computer server will be connected to a main server in the administration office to form a wide area network (WAN) throughout the entire district. The district has adopted Windows 95 as its computer operating platform, Microsoft Office has been chosen as the office package, and SASI is the student management database. Technology in Hillside’s business office is in a state of transition. A review of technology in the business office identified several computer initiatives.

ORGANIZATION/STAFFING

Hillside does not have a department dedicated specifically to technology. The district hired two consultant firms and employs two individuals who are responsible for all computer technology. One consultant reports to the business administrator while the other to the superintendent. The consultants are discussed in this section under contracted services. The district has one full time employee dedicated to technology issues in all the schools, except the high school. The high

school is generally responsible for its own computers and has a teacher assigned to the duty. Both employees are responsible for basic maintenance, hardware and software installation, and the student database program for their assigned buildings. Changes in the existing technology organization are needed.

Long Range Technology Plan 1995-2002

In 1995, the school district developed a technology plan that was submitted and approved by the board of education in October 1997. The plan included a cost estimate of \$369,249 with implementation occurring over a five-year period. A review of the projected cost revealed that the estimate was based on equipment either no longer manufactured or equipment that has dramatically decreased in price over the past several years. For example, the plan calls for the purchase of 14.4 modems and memory upgrades at a cost of \$250 per chip. The modems specified are no longer manufactured. A standard 16 meg micro chip costs approximately \$30. It also seeks to provide internet access to students and teachers, but does not require the development of an internet policy nor the purchase of the necessary software to prevent students from accessing non-educational web sites.

Recommendations:

It is recommended that the district re-evaluate the cost estimates in an effort to establish a more accurate cost of the plan, basing the estimates on state contract bids. The district should re-evaluate its equipment needs based on current technology. When ready to purchase the district should call for bids to ensure the best prices.

Technology Initiatives

The first initiative involves the district payroll and benefits system. In June 1997, the manufacturer of the software program used by the district filed for bankruptcy without providing the source code for the software or a mechanism to export the data or provide technical support. As a result, Hillside hired a consultant to develop and maintain relational databases for personnel issues using Microsoft Access. Access, however, cannot handle payroll functions. The district elected to utilize the ADP company for this function. The team was pleased to find that hiring the consultant to write the programs and perform the functionary duties of a data base administrator was on a part time basis. While data entry requires only basic data entry skills, program maintenance, reports, modifications, and updates involving relational databases are outside the skills of most computer users and are best performed by the designer or someone knowledgeable in relational databases. As the consultant develops each program, secretaries are designated for entering the district's information. A review of the data entered by the secretaries revealed a duplicate record and inaccurate entry of individual time. For example, one administrator was entered in twice, and the superintendent who has been employed for two years had accumulated thirty-one personal business days. The team also found four maintenance employees charged to a custodial category instead of grounds and maintenance, plus one head custodian charged to the maintenance category.

Recommendation:

The errors LGBR found were mistakes that “stood out” during a review of the database. The mistakes in data entry of personnel information can result in the awarding of more days than an individual is entitled or vice-versa. Incorrect categorization of employees cause inaccurate cost estimates for the departments involved. If the district chooses to maintain the Access databases (see next section), LGBR recommends that the district audit the new database for accuracy and develop procedures that insure accurate data entry. Further, the person entering data must be trained in those skills.

The next technology initiative resulted from the installation of the Local Area Network (LAN), and the adoption of a Windows 95 operating platform. It appears the district began implementing the network without a thorough impact study of existing software. Once the network came online, Hillside’s current DOS-based finance package could not smoothly operate within the LAN setup. After many attempts with the manufacturer to resolve the problems, the district elected to switch to a system that is dedicated to school finance and specifically designed for a Windows 95 platform.

The LGBR team feels that the district began to implement the network without conducting a thorough impact study of existing software. This is probably the result of the district not having an experienced or qualified MIS/network administrator. It was decided to use an older Pentium as the server in the administration office. The computer was initially designed for desktop use, not as a server. Inexpensive, and inappropriate, network equipment plus other technical mistakes created problems in the operation of the network. These problems were not identified until the new business software package was installed and had similar problems operating on the district network. Finally, with technical help and hardware from the business software manufacturer, the district was able to determine that the problem lay in the equipment that the district chose to use for its network.

Recommendation:

The district should re-evaluate the servers in local area networks that were designed at the same time as the business office hardware system. If the local area networks in the other buildings were built using the same principle as the business office, the district should re-evaluate the servers and network equipment before investing in any more computer technology.

Included in the new finance program are modules for payroll, requisition (discussed earlier), and personnel. Because of the bankruptcy of the district’s original payroll software company, the district’s business office elected to contract with an outside vendor to process payroll. However, during the LGBR review, the district reversed its decision in favor of using the new finance package to process payroll instead. The final module involving personnel functions could provide the district with a vendor supported software package that can completely track all employee related activity including costs for time off, longevity, stipends and bonuses (boiler licenses), and the use of substitutes. It will incorporate this information into comparative reports on the district

finances. The system can also integrate salary guides and cost of living adjustments into the current payroll database, as well as estimate and project the costs of payroll during contract negotiations. As discussed above, the district is developing Access databases that track the same information. The benefit and payroll section designed and now utilizes a spreadsheet to track health care costs and number of employees per health care program, as well as the new program for payroll processing.

Recommendations:

The new finance software package includes modules that perform the same function as the Access databases and spreadsheets used in the benefits office. Therefore, it is recommended that the district eliminate the databases, spreadsheets, and database programmer consultant in favor of using the modules already included in the purchase price of the new system. In addition, the district will benefit from better reporting of finances and estimation of budgeting regarding personnel expenses since the data will be incorporated into the finance database.

Cost Savings: \$16,985

Another positive feature of the new financial package is its ability to maintain up to nine different school budgets. This presents an opportunity for the regionalization of the bookkeeping department. Therefore, LGBR recommends Hillside immediately contact surrounding school districts and begin negotiations for the possible establishment of a shared/regional bookkeeping department.

The final technology initiative involves the computer consultant firm responsible for establishing and maintaining the networks and wiring the district for internet access. The contract for \$29,250 included hardware installation and repair, software installation and network services. The computer consultant also provides hardware such as its own brand computers and major brand printers and parts. Reportedly, the consultant agreed to donate older computers to the technology classes at the high school and provide internet service at no-charge providing the consultant could offer a discount internet service provider to the parents of the students. Neither of these provisions were in the consultant's agreement, and at the time of the review, the consultant had not donated any used equipment to the district.

The programmer consultant is responsible for the personnel programs and solving network problems that the network consultant was responsible for fixing. One of the complaints voiced to the team was the inaccessibility of the computer consultant to the district. According to the district, the contract with the network consultant stipulated a technician would be on site fifteen hours per week. A review of work orders from July 22, 1997 through November 10, 1997 showed the consultant had been on site from as little as one hour to as much as nine hours during any given week. The agreement, written by the consultant, in fact stated that a technician would be available to the district and not necessarily on-site for the fifteen hours. The consulting agreement included repairs, but not parts. While parts are not usually included, the contract should have stated that parts would be provided at current market rates. The price of replacing

memory on January 1, 1997 was substantially higher than at the close of the year. An individual skilled in MIS technology would have identified these weaknesses during the negotiation period.

CONSULTANTS

The district contracts with two professional consultants for the implementation of the network and the development and establishment of district databases. The district provided the team with a contract for only one of the consultants. Both consultants were appointed through board resolutions, rather than through a formal bidding process, which is permitted by law. There was a lack of deliverables as defined in the computer consultant's agreement and, also, the absence of deliverables and an agreement with the programmer consultant.

Recommendation:

Computer consultants are not typically exempt, under education rules, from the need to competitively bid a contract for their services. Hillside should bid the consultant agreement or, at least, do a request for proposal for this computer service in an effort to obtain the best price. In addition, as discussed in the bidding and contract section of the report, the district should protect itself through a more specifically defined consulting agreement drawn by the district.

Instructional

Like many school districts, Hillside has struggled with the Apple vs. IBM-PC technology dilemma. Hillside has committed to using Apple systems in the lower grade schools and PCs in high school as a cost saving mechanism. Lower grade schools tend to need general educational software while high school students need training on systems and software currently used in the workplace. Given the total number of Apple Systems throughout the district, by redistributing the Apple computers from the high school to the lower schools, the district could replace the computers in the high school with technology similar to that in the work place, while increasing the number of computers in the elementary schools. The Apple computers in the high school were moved to the lower schools. The elementary schools then transferred their technology funds at market value for the Apples to the high schools. All "moneys" associated with the transaction were used for the purchase of new PC computers at the high school.

Hillside is currently eliminating computer labs in the kindergarten through eighth grade schools by incorporating the computers into the instructional setting. This plan coincides with the theory that, on a primary grade school level, computers are a tool to aid learning and not a subject as such. New Jersey's computer ratio average is about seven students to one computer. In the Saybrook School, we found one computer per classroom, with twenty-eight pupils in each room. Walter O. Krumbiegel School's computer lab has fifteen computers servicing 452 students. Once the computers are distributed to the classrooms, the district will save money from the elimination of the lab instructor position. However, it might consider redeploying these staff as school site technology coordinators, or move to a district wide technology coordinator under the management information system recommendation. This would ensure that teachers would have

close-at-hand assistance and support as technology is implemented in the classroom. Research shows that eliminating school-based technology support weakens classroom application. The district eventually hopes to install computers in all classrooms, libraries, and media centers.

Interactive and Satellite Television

Interactive Television is the live broadcasting of instructional classes to remote sites through the telephone system. Interaction is two-way communication as students in the remote sites can immediately respond with questions or comments to the host or alternate remote sites. The ITV system will permit regionalization of specialty subjects that the district would not have otherwise been able to afford. Hillside is currently installing interactive television in the high school. While the district has its educational specification approval for the ITV system, the school is still waiting for construction approval from the Department of Education. In addition, the district hopes to offer continuing education classes from Seton Hall University, Montclair College, and Kean College to teachers and residents. The estimated cost for modification and the hardware is \$60,000.

Satellite television involves the direct broadcast of highly specialized educational programs to a media center located within a school. The satellite permits specialized education programs to be viewed in the district through satellite feed-opportunities that the district would never have been able to offer live and in person. The district is currently installing satellite television in the George Washington School. Supervision of both systems will remain at the local site.

Recommendation:

The district should explore the opportunity of regionalizing its programs by inviting local municipalities and other school districts to participate in one or both systems, specifically the continuing education classes. The district should also consider offering low cost or no cost classes that appeal to local residents as a “return of investment.” By spreading the cost over a larger group of people, the district can minimize the cost associated with installation and maintenance.

The review of Hillside’s technology initiatives on both an instructional and administrative setting found good efforts, as well as issues, which require better planning, and the establishment of a management information system department.

Internet policy

Recently problems have emerged concerning the use of public resources, such as the use of computers, e-mail, and access to chat rooms on the internet. The New Jersey School Boards Association Insurance Group is developing a general liability endorsement that would expand loss coverage for information systems exposures. The endorsement would include coverage for libel and slander, freedom of expression, privacy, intellectual property, invasion of privacy and infringement of copyright. Lack of an internet policy could seriously jeopardize the district if a court action were to be taken alleging internet problems.

Recommendation:

The district should work with its attorneys and appropriate staff to establish an internet policy. The district should investigate the N.J.S.B.A. policy endorsement. State Educational Technology Training Centers have information about models and implementation of an acceptable use policy.

TECHNOLOGY COORDINATION

At present, there is a lack of technology coordination. Examples of this problem are: the principals of George Washington and Hillside High School separately applying for and obtaining ITV systems for their schools; the decentralizing of the student database program with different people responsible for operations; the adopting of the Windows 95 network platform without investigating software impact of the finance system; the initial adopting of ADP and the subsequent reversal to System 3000 for payroll processing; the developing of a high-tech plan based on outdated cost estimates; and the using of the programmer consultant to resolve network problems. These events indicate that technology issues are handled in an ad-hoc and uncoordinated manner. This issue emerged because the district does not employ an individual who represents the district's interests and has working knowledge of information processing and system planning and development. Such an individual would have identified the problems associated with the Windows 95 platform and the old finance software package before implementation.

The district currently relies on a committee of volunteers, the superintendent, and the computer consultants for information regarding technology in the district. Given the cost of technology, and the cost of mistakes made by individuals whose responsibilities are not solely technological or whose education is not specialized in information systems, the district would be wise to establish a staff trained to handle all management information systems. The size of the district does not justify the hiring of a full time MIS director. Computer technology is generally the same in office functions in a school district or municipality. The district should approach the municipality to create a shared MIS department. The dedication and expertise of volunteers is to be commended. However, an on-site individual is needed to ensure the most efficient use of technology funds. The district's current computer programmer has the necessary skills and experience to be considered for the proposed shared MIS director.

Recommendation:

The district and municipality should establish a joint management information systems department and share the expense of a full time MIS director. Upon establishment of the joint department, all computer related functions and systems in both the district and the municipality should be placed directly under the guidance of the MIS director. Staffing of the department should be shared. In Hillside, the district could reassign its computer technician to the MIS Department. Shared costs could include the salary of the director and staff. The district should also negotiate the expense of staff to insure equity in cost

with the municipality. Each local entity would pay for hardware within its own organization. Both the district and municipality will share the benefit of combined purchasing of computer equipment and supplies.

Initial Value Added Expense: \$27,000 plus benefits for district position of MIS director.

While LGBR recognizes the general difficulty in procuring funds for technology, it is questionable to redirect funds that are dedicated to specific areas in a budget voted upon and approved by residents. The method also lends itself to planning computer purchases to available “left over” funds instead of appropriating required funding to implement a technology plan designed specifically to the districts needs.

Recommendation:

Once the district and municipality create a joint MIS department, the director should perform a needs assessment, create an update of a joint technology plan and list the cost for each government body. When completed, the district and municipality should commit the necessary funding for the entire purchase. The issuance of bonds can help defray the cost over a maximum of three years as an alternate funding procedure.

LEGAL SERVICES EXPENSE

In budget year 1996-97, the school board spent \$64,832 on legal services. Hillside Board of Education contracts with its attorney at \$115 per hour for the role of board attorney. According to the business administrator, attorney presence at school board meetings is requested on an “as-needed” basis. The hourly legal fee appears to be appropriate for the type of service and the district’s location in the state.

A review of prior and current years’ open and closed purchase orders for legal services and expenses revealed two significant legal settlements that involved the Hillside Board of Education. In August 1996, the board of education settled a litigation case at a cost of approximately thirty five thousand dollars, of which ten thousand dollars was covered under the legal liability portion of the board’s insurance policy. In October, 1997, the board of education concluded a settlement with an insurance agency in the amount of \$47,000. This cost is also, expected to be reimbursed through the legal liability portion of the district’s insurance policy minus \$1,000 deductible.

In addition to direct settlement costs, the board of education incurred legal fees for the board attorney’s preparation in these two matters.

We commend the board practice of using board attorney services on an “as needed” basis, and using legal liability insurance to protect district residents from potential costly payouts. However, regardless of the monetary source for paying settlements, due to several legal settlements, the district may incur additional costs reflected in higher premiums.

Risk Management

Risk management programs often reduce work-related injuries. The last professional risk management assessment took place in December, 1996. Of the few recommendations in the report, only formalized safety training for all new employees has yet to be accomplished. The district does have written safety policies. However, new employees are responsible for reviewing the policies on their own.

Hillside maintains a safety committee currently chaired by a principal and composed of administrators from each school and the business office. The committee meets quarterly to compile a list of safety related problems throughout the district. This list is submitted to the superintendent's office.

When asked for the reports from the safety committee meetings, the district office did not have the reports from meetings held in October, 1996 and March, 1997. The copies of the missing documents were obtained from the committee chairperson. In reviewing the reports, several of the same problems were repeatedly reported during different meetings. For example, missing roof vents at A.P. Morris allowed wildlife to enter two schoolrooms. This was cited in the January, 1997, March, 1997 and May, 1997 reports. Other problems repeatedly reported included leaking pipes and ceilings, falling ceiling tiles, exposed asbestos pipes, water damage, unpadded poles in a gym, and unidentifiable odors.

An LGBR team member interviewed the committee chairperson regarding unresolved problems, asking if the committee had documentation that the problems had been addressed. Her response was that the committee only reports problems and that she did not have documentation indicating if any of the problems were resolved.

Site inspections by the team revealed additional safety concerns that indicate the need to perform better assessments of facilities. For example, at A.P. Morris School, a door with stairs leading down to the old boiler room had no lighting or a locking mechanism. At Calvin Coolidge School the custodians were using the top landing area of a stairway leading to the boiler room as a storage facility for their daily supplies. These issues were immediately referred to the business administrator who had the problems corrected.

An LGBR team member attempted to attend a quarterly School Safety Committee meeting on October 20, 1997. Arriving at the time the meeting was supposed to begin, the team member found that the meeting was over and was told that no problems were reported.

Recommendations:

It is not in the interest of the district to have a safety committee that reports concerns that then go uncorrected. While leaking roofs are related to capital fund issues, ignoring the need to repair leaking pipes and roofs only serve to exacerbate poor conditions in the schools and, ultimately, increase the overall expense of maintaining the buildings. Other reported issues should be immediately addressed by the district. Since the safety committee was formed to help reduce the risk of injury, the importance of follow up and correcting

safety findings becomes critical in the prevention of work-related injuries and worker compensation claims. Once the committee has identified and reported a potential safety hazard, proper documentation and a corrective course of action should be established and submitted to the board of education for its information. This notice should be conspicuously posted in every school office. The subsequent corrective action should be filed with the committee and the central office, reported at board of education meetings, or to the board's property committee, whose chairperson in turn reports to the entire board at its next meeting.

TRANSPORTATION

Transportation is a major expense in the Hillside school budget. This was not the case when Hillside's school system was a series of neighborhood schools with one high school. Schools were built throughout the 2.7 square mile community, allowing children to walk to the closest school. Things changed in the 1980's, when Hillside came under a federal court desegregation order. The desegregation plan coupled with highways 22 and 78 and a major rail line cutting through the town, resulted in the implementation of courtesy busing in a community where the majority of students still live within two miles of any school in the district.

According to the 1997 Comprehensive Annual Financial Report, the district budgeted \$1,029,480 for pupil transportation and spent \$997,963. For the 1997-98 school year, the district appropriated \$840,125 to transport students attending kindergarten through fourth grade schools, students living more than two miles from their attending schools, and special education students. The district also provides transportation to the county vocational school, as well as for extracurricular activities and athletic events. Only students living more than two miles from the middle schools are provided busing. There is no busing for high school students.

In an effort to save costs by reducing mileage charges, the district requires non-special education students to walk to the closest neighborhood school from where buses shuttle them to schools that they attend. Only special education students and children living more than two miles from their schools are on established routes. Each bus is assigned one transportation aide.

Hillside contracts for pupil transportation, with bidding occurring yearly. Hillside differs from most districts in that there are no street routes for regular students. LGBR commends the district on the annual re-bidding of bus services as a cost savings effort. The cost per pupil may be related to the multiple contracts awarded to different bus companies. It is, therefore, **recommended that the next time the district bids busing services, the district reduce the number of contracts awarded.**

The district attempted to eliminate use of transportation aides several years ago. This failed, after parent protests. In years past, the board provided health care benefits to the aides who worked an average of two or three hours a day. Cost consciousness led to the elimination of this benefit. However, the district still spends \$52,704 on transportation aide salaries. We feel this is an expense that needs to be reexamined since the average bus ride in Hillside is approximately five minutes. Transportation aides may be necessary depending on the needs, and I.E.P.s, if classified

students are being transported. As an alternative, the district could install a camera with video recorder to monitor student behavior at a one-time cost of \$1,500 per unit. If it is decided that a staff member must ride the bus, then the district might have members from its security force take on the responsibility as part of their regular duties.

Recommendation:

It is recommended that the district consider elimination of the transportation aides in favor of either the installation of surveillance equipment or having the security team staff the buses. As mentioned earlier, these savings are contingent on the requirements of the students being transported.

Cost Savings: \$52,704

LGBR interviewed bus drivers and observed services at various locations. In general, the district has been able to establish drop-off points in areas around the schools where traffic is minimal and students can be moved to a relatively safer area. This, however, did not seem to be the case at the Hurden Looker School. Hurden Looker's property borders Liberty Avenue, a major road, and Gurd Street, which is a residential street. When students are dropped off in the morning, they are confined to an area approximate 140 ft. long by 26 ft. wide between the building and the street. Drivers approaching the school from the south cannot see the playground because the school sits at the top of a hill, while drivers approaching from the opposite direction cannot see the lot because of houses immediately bordering the play area. In addition, during the morning operations, the team witnessed a van exiting the school lot, almost hitting two children who ran out in the driveway. At the beginning of the school day, students line up in this area and enter the building through the rear entrance.

Hurden Looker has two lots bordering the school. One is used for teacher parking and was consistently full. The other lot services the main entrance and never had more than five cars while the LGBR team was in Hillside. An interview with a crossing guard revealed that the mostly empty lot was used for parking by the school administration. Further, she revealed the incident that occurred during our observation was not the first time they had a close call.

Recommendation:

It is, therefore, recommended that use of the lot that borders the administration side entrance and student assembly areas at the Hurden Looker School be reviewed.

The establishment of shuttle buses between schools helps keep transportation costs to a minimum. The district uses ten buses for shuttle services. Four buses transport approximately 176 pupils from W.O.Krumbiegel to A.P. Morris/Saybrook, one bus transports 15 pupils from Krumbiegel to Hurden Looker, four buses shuttle 123 students from George Washington to Hurden Looker and one bus transports 37 pupils from Hurden Looker to A.P. Morris/Saybrook.

Our observations of the operation revealed that the full capacity of 54 students per bus was not utilized. LGBR realizes that full utilization is not always possible. However, when the team

reviewed documents provided by the district, we found capacity rates as low as 45% and that the district could eliminate six of the buses by having four buses transport the 123 pupils at George Washington to Hurden Looker first, pick up the 37 pupils at Hurden Looker and then proceed to the Krumbiegel School to drop off students and then pickup the 176 pupils destined for A.P. Morris/Saybrook. Finally, the required transportation bus assigned to Krumbiegel could transport the 15 students to Hurden Looker after dropping the students off at the Krumbiegel School. Given the 2.7 square miles of the district, this could be accomplished by having bus operations start ten minutes earlier. The school starting times would not change.

Recommendation:

It is therefore recommended that the district investigate elimination of six of the buses involved in shuttle operations for approximate savings of \$151,890. Additional savings of \$15,732 would be realized as a result of eliminating the transportation aides currently assigned to the six buses. As mentioned earlier, a review of the individual needs of the students and their I.E.P.s should be conducted prior to changes in bus routes and times.

Cost Savings: \$151,890

Most of the special education buses we observed were less than 37% full. An earlier starting time for the bus run may allow the combining of routes for more than one school.

Recommendation:

It is, therefore, recommended that the district re-evaluate the special education routes and, through an earlier start time of the bus run, achieve a savings. Once again the needs of the special education students should be considered as part of this re-evaluation.

Cost Savings: \$20,496

GROUNDS AND MAINTENANCE

Hillside spends \$167,395 to staff the grounds and maintenance department with four employees. Their duties include lawn care, snow removal, and basic maintenance of district facilities.

Given the age and condition of the schools, the district places priority on maintenance. Principals needing maintenance services send work order requests to the administrative assistant for business who prioritizes and distributes the work assignments to the maintenance staff. The district maintains a maintenance shop at the high school. When assignments permit, the crew works on grounds projects.

Our tour of all the facilities found the grounds in less than perfect condition. We felt that those areas adjacent to public streets were generally in better condition than the areas behind the schools where the students play. During the eight weeks of our review, broken glass found on the stairway leading to the back playground at the Coolidge School was never cleaned up. At George Washington School, fall leaf cleaning was not performed until after the township's public works department had already cleaned the surrounding streets. We also found full trash containers at the

stadium and the area around the bleachers strewn with trash. Trash and leaf build up was present along the fence surrounding the high school track.

In a facility study done for the district, the architectural firm found, that in every school, lighting levels were not in compliance with state minimal requirements.

Recommendation:

Given the size of the township, LGBR feels the district and municipality should examine the possibility of sharing grounds and maintenance operations. For example, the district has equipment to maintain the parks in the township, while the municipality could provide power sweeping of the playgrounds. Because of the commingling of responsibilities and the inability to derive percentages of time to perform the jobs, LGBR could not determine a cost savings. However, communities generally save money through shared services.

Custodial Services

LGBR performed a custodial staffing level and cost analysis based on two benchmarking studies. The Association of Physical Plant Administrators of Universities and Colleges (APPAUC) has a study that provides appropriate staffing levels based on the type of cleaning for local school buildings, and the American Schools and University's Facilities (AS & U) publication lists cleaning cost averages per square foot by region.

The APPAUC developed a staffing level assessment that determines the number of custodians required to achieve specific cleaning levels. The study identifies five such levels: level 1-Orderly Spotlessness, level 2 Ordinary Tidiness, level 3-Casual Inattention, level 4-Moderate Dinginess and level 5-Unkempt Neglect. As part of the assessment, the team toured the facilities, both announced and unannounced. Our review found various cleanliness levels. We then compared our findings to the staffing level assessments. The results are listed in the table below.

LGBR established an average \$2.17 cleaning cost standard per square foot based on region 2 (New York and New Jersey) of the AS & U's report. This figure includes the cost of supplies and an adjustment to reflect 1998 costs. The square footage of each building was obtained from the custodial staff of each building and compared to the school district's facility planning report. According to our cost per square foot analysis, Hillside spends \$2.47 per square foot, a figure which is approximately \$.30 per square foot above the average for New Jersey and New York. This translates to an annual cost of \$133,688 above the AS&U average cost for custodial services.

Our analysis on a school by school basis could only be performed by excluding supplies, because both the district's custodial account and vendors included items in custodial expenses that might be considered grounds and/or maintenance expenses. Actual cost per square foot on the school level would increase if supplies were included in the analysis. The following chart integrates both studies.

Hillside Custodial Staffing Level/Cost Analysis						
School Name	Cost Sq./Ft	Number of Custodians	LGBR Assessment of Cleanliness	Level 1 Spotlessness	Level 2 Tidiness	Level 3 Inattention
				(# of custodians needed to achieve level)		
A.P. Morris	1.51	4	3	10.73	5.15	2.98
Calvin Cool	3.06	2	2	2.9	1.47	.7
G.W.	4.23	4	2	3.97	2	1
High School	2.28	10	3-4	18.61	9.19	4.63
Hurden	2.34	4	2-3	7.15	3.5	1.7
Saybrk/Adm	2.69	2	1	2.4	1.28	.6
W.O.K.	1.59	3	3-2	9.35	4.66	2.42

LGBR cleaning level determined by inspections, announced and unannounced

LGBR evaluated the school using level 2, "tidiness," as a base.

District Average: via district facilities planning report \$2.47/sq. ft.

AS&U Price Guide \$2.17/sq. ft.

The table identifies two specific issues. The first deals with the above average cost of cleaning per square foot as described above. The next deals with the staffing levels versus the cleanliness of the facility. For example, the high school has a reasonable cost per square foot, but for the number of custodians assigned to the school, the cleanliness should be a level 2 and not between levels 3-4. The George Washington School should have the existing level 2 rating with half the staff, while the Krumbiegel School cleaning level may be the result of understaffing. The district should consider reassigning a custodian from George Washington to Krumbiegel. Such an action would bring the two schools costs per square foot closer to the AS&U average and improve the overall cleanliness at Krumbiegel.

Finally, the AS&U provides an average \$265 cost per student for New Jersey custodial payroll costs only. The analysis excludes supplies and ground and maintenance expenses. Based on Hillside's 1997 CAFR report of a student population of 2,925, we determined the district cost per student for custodial services to be at \$366. Compared to the AS&U average of \$265, Hillside pays \$101 more per student to clean its facilities.

Recommendation:

The district is paying more for custodial services than the AS&U regional averages. In addition, reassignment of the custodial services appears warranted and would result in a better utilization of existing resources and improvement of the overall appearance of the

schools. However, the district would still be above the regional cost of custodial services. It is, therefore, recommended the district evaluate the benefit of competitive contracting for a cost savings.

Cost Savings: \$133,688

CASH MANAGEMENT

At the beginning of the study, the Hillside Board of Education banked with the Summit Bank and Chase Bank.

According to the Summit Bank account analysis, the district earned \$199,394 dollars in interest for the school year ended June 30, 1997. While the district had multiple accounts, the bank determined interest on the aggregate amount on deposit. Summit Bank then dispersed the money, crediting interest to the proper fund accounts.

The comparative analysis of the 91 day Treasury note (91T) and the New Jersey Cash Management Fund (NJCMF) show below identifies the variation of interest that could have been earned had the district invested its available cash in other investment options.

Hillside Interest Summary Year July 1, 1996 - June 30, 1997		
Summit Bank	NJCMF	91T
\$199,394	\$225,173	\$218,681

Near the conclusion of our study the district began to shift all funds into its Chase Bank accounts. The district business office was unable to produce records of any formal board action in this matter.

Recommendation:

A wider review of investment options should yield an increased interest income. We base this on 91-day treasury notes.

In the prior two CAFR management reports, 1995 and 1996, the auditors cited the high school activity account for poor record keeping. The district corrected the action and it was so noted in the 1997 CAFR report. A review by LGBR found that the activity account was with CoreStates and was not earning interest. This account has an average estimated balance of \$22,978. If these funds were invested in whatever bank the district currently uses, the account would have earned an estimated \$1,148 in interest (based on 5% interest rate).

Recommendation:

That the high school activity account be moved to an interest bearing status.

Revenue Enhancement: \$1,148

In addition, the high school maintains the account through manual procedures ledger and journal books and the use of a spread sheet program developed by a secretary. Based on the secretary spending 15 hours per week at \$22 per hour (salary and benefits) maintaining two sets of books, one electronic and one manual, the district spends \$17,160 a year to maintain the activity account. By using commercially available software, at approximately \$200 for a program, the time needed to maintain the account could be reduced to seven hours weekly at a cost of \$8,000 per year. This would result in a productivity saving of \$9,152.

Recommendations:

Banking services should be re-evaluated every three years through a formal bidding process and awards made by board action. Based on information from the district that it has been several years since formal bids for banking services have been solicited, LGBR recommends that such formal request be made.

The district should also consider alternate deposit locations such as the New Jersey Cash Management Fund or 90 day treasury notes. Since the high school activity account is non-interest bearing, LGBR recommends that the funds be placed in an interest bearing account and be included in the bid requests recommended above.

The maintaining of accounts through a manual process can be personnel intensive. The administration in the high school uses a spreadsheet program to unofficially track the funds while making journal and ledger entries in a log for the official records. It is recommended that the district invest in an inexpensive financial bookkeeping software package to maintain the student activity fund.

Value Savings: \$9,152

Inventory - Asset Control

School districts should maintain two types of inventories; an appraisal inventory and a “stock” inventory. The appraisal inventory, which should be done every three to four years, protects the district in the case of catastrophic loss. A stock inventory, performed annually, helps the district with inventory control. Both inventories are critical in determining insurance coverage.

According to district documents, the last appraisal occurred in 1994 with a total appraised value of 52 million dollars. The 1997 blanket insurance policy is for 60 million dollars with a limit of \$521,000 on computer technology. Several capital improvements, such as boiler upgrades and roof replacements in conjunction with a major technology initiative in the district warrant a new appraisal. The business administrator presented a December 1997 RFP for a new appraisal.

Upon completion, the district should review its blanket policy including the limit on computer technology for possible increase.

The inventory documents supplied by the district clearly indicate need for a complete district wide “stock” inventory. The documents mainly contained lists of computers and audio visual equipment, although some did list heavy duty equipment. Still, from the LGBR tour, it was apparent that much of the equipment in the schools was not on an inventory list. An October 25, 1995 memo from the high school revealed that a complete school inventory had not occurred since 1989, and that several pieces of equipment were missing. An inventory of the Administration Building listed 1.2 million dollars worth of equipment of which the structure itself was listed for one million dollars. During the LGBR tour, we found several supply cabinets unlocked and equipment in unsecured areas.

Recommendation:

Inventory stock and appraisal lists provide organizations with valuable information. They not only list public assets, but can identify when theft has occurred. An incomplete inventory list makes it difficult to adequately assess the insurance coverage for each building or the district as a whole. At present the only list to substantiate a claim was done in 1994. The district should implement an asset inventory system, which should include the placing of a permanent numbered sticker on each piece of equipment in the district. The number is then entered into a district inventory database identifying the object and location. Complete, and carefully monitored inventory is a means to avoid needless losses.

ENTERPRISE FUND - FOOD SERVICE

Hillside started competitively contracting food service operations in 1985. In an effort to continue cost competitiveness, the Hillside business office bids the operation on a yearly basis. The last bidding process occurred in May, 1997. For the 1997-98 school year, the program operator since 1985, was again awarded a one-year food service contract at a cost of \$25,000 dollars. As a result of competitive contracting, the school board and the management company have operated the fund with a surplus and subsequently have replaced and/or upgraded cafeteria equipment at several of the schools.

The food service company projects that they will serve approximately 342,122 meals in the district annually. Based on the 1997-98 school population, this represents a projected participation rate of 61%.

Lunches are served in all schools. Unfortunately, the conditions of the cafeterias in some of the schools are makeshift at best. In Saybrook School, the food service company must transport the meals from the high school and serve them at the bottom of a stairway in large buckets. Hurden-Looker’s cafeteria doubles as an instructional area during the morning and afternoon sessions.

In an effort to provide excellent food service to the students, the food service contract mandates the establishment of a food advisory committee consisting of students, teachers, administrators, and parents granting them the responsibility of menu planning with the company. According to the contract, surveys, menu alterations and related issues are submitted to the committee for consideration and, if approved, are submitted for implementation. In reviewing the operation, it appears that not all individuals follow the guidelines of the agreement. In the summer of 1997, a committee member directly contacted the company regarding her own concerns of the food program. The company developed a menu meeting nutritional requirements requested and served those meals throughout the 1996-96 school year. A survey of the new menu found a student approval rate of thirty-one percent. Although the program was not successful, the company demonstrated its desire to address the concerns of the committee and other individuals. Acting within the committee structure would have avoided these problems.

The food service company has established contracts with a variety of food franchise organizations. The food management company provides special meal events in the district on a regular basis. As the owner of one such franchise, the company operates a franchise restaurant in the high school.

During the 1995-96 and 1996-97 school year, the Hillside Board of Education needed to fund the food service account in the amount of \$7,123 dollars. In general, enterprise operations are self-sustaining. A review of the contracts for the mentioned years indicates the company was entitled to bill the district for the first \$3,000 in maintenance costs. This was despite the fact that the net income for the two years was over \$50,000 dollars. The LGBR team was pleased to learn that the clause in question has been changed for the 1997-98 contract making the management company responsible for the first \$3,000 of maintenance costs.

Hillside School District Enterprise Fund - Food Service

	1997	1996
Operating Revenues:		
Food Service Sales	\$286,682.37	\$269,605.17
Other Revenue	\$424,668.80	\$372,928.13
 Total Revenues	 \$711,351.17	 \$642,533.30
 Operating Expenses		
Salaries	\$206,437.19	\$201,422.69
Employee benefits	\$57,134.77	\$55,904.10
Management fee	\$23,000.00	\$22,000.00
Supplies and Materials	\$47,318.89	\$43,504.34
Depreciation	\$11,045.88	\$11,045.88
Cost of Sales	\$349,383.11	\$281,180.54
Total Operating Expenses	\$691,319.84	\$612,057.55
 Net Income	 \$20,031.33	 \$30,475.75

Retained Earnings July 1	\$176,382.26	\$145,906.51
Retained Earnings June 30	\$196,413.59	\$176,382.26

Board of Education Expenses

School board members incur expenses during the course of board service—training sessions and out-of-district meetings are some of the activities that help board members do their work more effectively. While pursuing these activities, the expenditure of public funds should be done conscientiously.

Board member expenses over the last three years were examined in the normal course of our review. The total spent for travel/seminar during the 1996-97 school year was \$10,020.

In two instances it was discovered that board funds had been used to pay for parking tickets. This practice should be prohibited.

Attendance at national meetings can provide helpful information to the board and the district. Such meetings can involve significant cost, especially if long distance travel is involved. We suggest that the board limit the number of members who may attend such meetings at district expense. At present this does not appear to be a problem, but such limits help plan and guard against possible abuse. A variety of means exist whereby those attending distant sessions can bring back information to those who do not travel to the convention.

Recommendation:

LGBR recommends that the board adopt a policy concerning board member expenses that spells out the maximum allowable amounts for lodging, food, and other expenses. In addition, we suggest that the policy indicate what expenses are reimbursable. The board should continue to require receipts in all cases where reimbursement is requested. The board should continue to have members reimburse the board in situations in which members chose to exceed board-established limits or spend on personal matters.

Audit Report Findings

The LGBR team began its review while the 1997 CAFR audit was underway. The prior year's audit revealed one deficiency in the accounting procedures of the high school student activity account. This finding was corrected for the 1997 CAFR audit. The LGBR team had an opportunity to discuss district operations with the CAFR audit team. To quote one CAFR auditor, "Of the twenty or so districts our company reviews, without a doubt, the Hillside School District is the best!"

Facility Use

As part of its community outreach program, the district makes its facilities available for use by a variety of organizations. Conditions for use, include, filing an application with the district office; board approval; when applicable, fees are charged to cover custodial service and the cost of utilities; and the presentation of a certificate of liability insurance.

Comment:

Community use of facilities is frequent and praiseworthy.

HEALTH SERVICES

The school nurses are the mainstay of the district's health services. Perhaps cost consciousness is over zealous in this area. During the 1996-97 school year two nurses divided their time between Saybrook, Coolidge, Hurden Looker, and the A.P.Morris Schools. The Washington and Krumbiegel schools each had full time nurses, whose schedules were supplemented by health class instruction. The high school has a full time nurse. Once again small school enrollment cause forced economies in terms of part time services in an important area.

Hillside's nurses accomplished the following number of activities during the 1996-97 school year:

Weights and heights	3,784
Dental	2,089
Hair inspections	1,681
Vision	1,513
Scoliosis	1,380
Student physicals	1,348
Audiometric	1,253
Blood pressure screening	202
Student accidents	185
Personnel physicals	166
Employee accidents	63
Referrals to DYFS	27
Pregnancies	11
Ambulance trips	8
Employee incident reports	8

School physicians and dentists were assigned to individual schools for student physicals and other needs as they arose. The district medical inspector and the municipality's public health inspector cooperate on issues of health and medicine as required.

The audit of June 30, 1997 showed that the Hillside schools budgeted \$399,541, or 1.6% of the district's total budget to be spent for health services. This is close to the per cent spent by comparison districts.

Payroll - Longevity

Hillside provides longevity raises for length of service for those senior staff whose long service places them “off the chart” of negotiated salary guides. In 1997, longevity raises cost \$180,448 dollars. By 1999, the cost will increase to \$299,943.

Class	1997 Pay-Out	1999 Pay-Out
Custodians	\$8,850	\$13,475
Secretaries	\$8,860	\$10,925
Teachers	\$162,738	\$275,543
Total	\$180,448	\$299,943

This analysis excludes administrative titles since at the time of review, the contract remained under negotiation.

LGBR understands that through the budgeting and collective bargaining processes the board of education decides how much to pay its employees. The typical means of displaying educational salary costs is through a printed salary guide. Hillside’s guide contains salary figures, plus a separate section in a different part of the negotiated agreement for senior staff who are “off the guide” and whose pay is based on a combination of the top of the guide plus seniority payments. In this, Hillside is similar to many other school district negotiated agreements. Since the amount of money involved is significant, and in order to clearly and completely portray salaries paid to senior staff in the district.

Recommendation:

LGBR recommends that future guides include the information contained in the longevity section of the contracts. Further, when responding to inquiries about district salaries these guides should be included in the information provided.

Payroll-Boiler Licenses

Custodians are paid bonuses for having a boiler license. This costs taxpayers \$15,500 each year. A black seal license is required by the Department of Labor (NJSA 34:7-1) to monitor a low pressure boiler system when it is in operation. Whenever a public building is occupied and a low pressure boiler is in service, a holder of this license must be on duty.

Recommendation:

The district should consider elimination of the boiler license stipend for all future custodial hires.

Potential Savings: \$15,500

SPECIAL EDUCATION

During the 1996-97 school year the district restructured its Special Services department. New procedures were put in place and staff reorganized. Each Child Study Team consisted of a learning disabilities teacher, a school psychologist, a school social worker, and a speech teacher. Services placed outside the district, included occupational therapy, physical therapy, psychiatric services, neurology, and dentistry.

A major effort was made to consolidate the number of out-of-district placements. Nine special education schools that had Hillside students the previous year were not used in 1996-97. The referral rate to special education was lowered. During the 1996-97 school year two hundred sixty students received speech services. The district is working hard to effect inclusion of classified students into the regular learning environment.

One hundred sixty special education students received in district education in 1996-97. Seventy-one special education students were educated in cooperative programs or in private schools. Of Hillside's January 31, 1996 population, 8% were enrolled in the special education program. In the 1995-96 school year the cost per student for in-district special education was \$8,404. These students were serviced by 27 special education teachers and 12 special education aides.

The district is aware of the cost of special education. It has taken a variety of steps to ensure that services are both delivered and provided in an efficient manner. A concern that was raised by district staff – special education and regular education teachers, instructional and others was the fact that the director's position is part-time, coupled with serving as principal of a 155 student elementary school. This position has had significant turnover through the years. This lack of stability and divided responsibilities has created morale and management problems for this important part of the district. Individuals seeking a career leading a top-flight special education program will not be attracted to, nor stay long in, a part-time position. It should be noted that a new director assumed the position in December, 1997.

Typical of Hillside is the lack of space, which has posed problems in providing for new classes, meeting rooms, and staff work areas for special education and related areas. LGBR hopes that Hillside will move promptly to remedy its educational space problems.

Recommendation:

LGBR recommends that the district take steps to ensure that stability in leadership of the program be maintained.

Special Education Medicaid Initiative (SEMI)

Hillside participates in the Special Education Medicaid Initiative (SEMI). This is a federal Medicaid (Title XIX) reimbursement program for certain medical related services.

Since July, 1996 Hillside has received a total of \$11,139 in claims reimbursement. The district is filing accurate claims on a regular basis. In addition, the district is developing procedures to add nursing services to their list of eligible claims.

Based on department of education projections the district has not identified all of their Medicaid eligible students. The district also has a backlog of nine months of claims to be filed.

Recommendations:

The district should review its roster of special education students in order to ensure that all Medicaid eligible students are registered with the program. In addition, the district should reduce its backlog of claims so that it is no more than two months behind in submitting claims. The district should also expedite its efforts to receive reimbursement for nursing services. These actions should triple the reimbursements and simplify the claims process.

Additional Savings: \$22,000

GUIDANCE

The guidance staff includes three and one-half counselors at Hillside High School. There is also one counselor who also serves as a half-time substance abuse counselor. A guidance counselor is assigned to the George Washington Elementary School. The W.O. Krumbiegel Middle School has a social worker.

In the high school and middle school the counselors and social worker provide seminars in college and career decision making for students in grades seven through twelve as well as for their parents.

III. SHARED SERVICES

LGBR encourages school districts and other public entities to share services whenever possible.

The Hillside Board of Education participates in a number of shared service arrangements that provide needed goods and services at reasonable costs. As a result of our study LGBR has also recommended, in our report, that a variety of areas be researched for possible shared services cost savings.

Existing shared service arrangements include shared purchasing of electricity, natural gas, and heating oil. These items are purchased through agreements with the Union County Education Services Commission. Automobile fuel is obtained through the purchasing plan of the Union County Cooperative Purchasing Plan.

In addition to shared services already in place, our study resulted in recommendations for exploration of a shared regional bookkeeping department, the possible cooperative use of district interactive and satellite TV resources with other municipalities and school districts, the possibility of shared grounds and maintenance departments with the municipality, plus a joint management information systems department.

IV. STATUTORY AND REGULATORY REFORM

The fourth and final section of the report, Statutory and Regulatory Reform, attempts to identify those areas where existing State regulations or statutory mandates are brought to the attention of the LGBR review team by local officials which appear to have an adverse effect on efficient and cost effective local operations. It is common for local officials to attribute high costs and increased taxes to “state mandates.” Each review team is then charged with reporting those areas in this section of the report. The findings summarized below will be reviewed by the appropriate state agency for the purpose of initiating constructive change at the state level.

During the LGBR visit, the Hillside Superintendent of Schools expressed strong frustration over an unexpectedly large tuition bill from the Union County Science and Technical Magnet High School. When the vocational-technical district began recruitment for this new school, the Hillside authorities were told that the new school would limit acceptance to two students from each district. That expense was what Hillside included in its budget.

The ultimate bill to Hillside was for nine students, two of whom were private school graduates. The Hillside school district is also responsible for providing transportation.

The departure of large numbers of students from the local school district hampers accurate budgeting, disrupts program planning, and weakens the local academic program. An analogous situation is the presence of a charter school within a district’s boundaries. Estimates are provided to the district administration of the number of students that may attend the charter school although the number of students is not fixed until after the district budget has been prepared. “Capping” the number of magnet school students would need legislative changes.

The Hillside administration strongly urges LGBR that a cap be established on the number of students per district that will be accepted into the magnet school. They feel that this needs to be done so that local districts can provide for tuition costs on a planned basis and not on after-the-budget bills.

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